

106TH CONGRESS
2D SESSION

H. R. 5546

To amend the Internal Revenue Code of 1986 to improve the retirement security of American families.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 25, 2000

Mr. ANDREWS (for himself, Mr. CLAY, Mr. KILDEE, Mr. OWENS, Mr. PAYNE, Mrs. MINK of Hawaii, Ms. WOOLSEY, Mr. ROMERO-BARCELO, Mr. FATTAH, Mr. TIERNEY, Mr. KIND, Ms. SANCHEZ, Mr. FORD, Mr. KUCINICH, and Mr. HOLT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to improve the retirement security of American families.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Retirement Enhancement Revenue Act of 2000”.

6 (b) TABLE OF CONTENTS.—The table of contents is
7 as follows:

Sec. 1. Short title and table of contents.

TITLE I—PUBLIC EMPLOYEE PENSION PLANS

Sec. 101. New qualification requirements for public employee pension plans.

“SUBPART F—PUBLIC EMPLOYEE PENSION PLANS

“Sec. 420A. Reporting and disclosure requirements.

“Sec. 420B. Review by qualified review boards of changes in employer contributions.

“Sec. 420C. Effect on other laws.

“Sec. 420D. Definitions and coverage.

Sec. 102. Effective date of title.

TITLE II—PENSION IMPROVEMENTS

Sec. 201. Automatic enrollment of all employees in 401(k) plans.

Sec. 202. Improvements in simplified employee pensions.

Sec. 203. Pension integration rules.

Sec. 204. Increase to age 75 for beginning mandatory distributions.

Sec. 205. Treatment of multiemployer plans under section 415.

Sec. 206. Restrictions on exclusion of unionized employees from participation in 401(k) plans.

Sec. 207. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.

Sec. 208. Clarification of tax treatment of division of section 457 plan benefits upon divorce.

Sec. 209. Rollovers allowed among various types of plans.

Sec. 210. Purchase of service credit in governmental defined benefit plans.

TITLE III—ADDITIONAL AMENDMENTS

Sec. 301. Involuntary cash-outs from section 457 plans permitted only if distribution rolled to a qualified plan.

Sec. 302. Statutory exemption from prohibited transaction rules for emergent transactions.

Sec. 303. Loans from retirement plans for health insurance and job training expenses.

Sec. 304. Missing participants.

Sec. 305. Income averaging of corrected civil service annuity benefit payments.

TITLE IV—GENERAL PROVISIONS

Sec. 401. General effective date.

Sec. 402. Plan amendments.

1 **TITLE I—PUBLIC EMPLOYEE**
2 **PENSION PLANS**
3 **SEC. 101. NEW QUALIFICATION REQUIREMENTS FOR PUB-**
4 **LIC EMPLOYEE PENSION PLANS.**

5 SEC. (a) IN GENERAL.—Subsection (a) of section
6 401 of the Internal Revenue Code of 1986 (relating to

1 requirements for qualification) is amended by inserting
 2 after paragraph (34) the following new paragraph:

3 “(35) PUBLIC EMPLOYEE PENSION PLANS.—A
 4 trust forming a part of a public employee pension
 5 plan (as defined in section 420D(a)(9)) shall not
 6 constitute a qualified trust under this section unless
 7 the requirements of subpart F of this part are met
 8 in connection with such plan.”

9 (b) REQUIREMENTS.—

10 (1) IN GENERAL.—Part I of subchapter D of
 11 chapter 1 of such Code (relating to pension, profit-
 12 sharing, stock bonus plans, etc.) is amended by in-
 13 serting after subpart E the following new subpart:

14 **“Subpart F—Public Employee Pension Plans**

“Sec. 420A. Reporting and disclosure requirements.

“Sec. 420B. Review by qualified review boards of changes in em-
 ployer contributions.

“Sec. 420C. Effect on other laws.

“Sec. 420D Definitions and coverage.

15 **“SEC. 420A. REPORTING AND DISCLOSURE REQUIREMENTS.**

16 “(a) IN GENERAL.—The requirements of this sub-
 17 section are met in connection with a public employee pen-
 18 sion plan if the terms of the plan include the requirements
 19 of this section.

20 “(b) REQUIRED DISCLOSURES.—The plan shall pro-
 21 vide that, within 210 days after the close of each plan
 22 year, the administrator of the plan shall furnish to each

1 participant, and to each beneficiary receiving benefits
2 under the plan—

3 “(1) a statement of the assets and liabilities of
4 the plan aggregated by categories and valued at
5 their current value, and the same data displayed in
6 comparative form for the end of the previous plan
7 year;

8 “(2) a statement of receipts and disbursements
9 during the preceding 12-month period aggregated by
10 general sources and applications;

11 “(3) a report containing—

12 “(A) a description of all investments and
13 assets of the plan, including their value;

14 “(B) the names and positions of all of the
15 trustees of the plan, and the time remaining be-
16 fore the expiration of their term;

17 “(C) a description of the method of trustee
18 selection;

19 “(D) a description of any changes in in-
20 vestment policy of the plan during the fiscal
21 year;

22 “(E) an evaluation of the long-term sol-
23 vency of the plan, including the number of par-
24 ticipants and beneficiaries and a summary of
25 their benefits, and a projection of the amount

1 of benefits expected to be paid for the fifth,
2 tenth, and fifteenth plan year following the date
3 of the publication of the report; and

4 “(F) the percentage which the current
5 value of the assets of the plan is of the current
6 liability under the plan; and

7 “(4) any other material as is necessary to fairly
8 summarize the latest annual report.

9 Such information shall be written and calculated to be un-
10 derstood by the average plan participant, and shall be suf-
11 ficiently accurate and comprehensive to reasonably apprise
12 such participants and beneficiaries of their rights and obli-
13 gations under the plan.

14 “(c) AVAILABILITY OF PLAN DOCUMENTS FOR EX-
15 AMINATION.—The plan shall provide that the adminis-
16 trator shall make copies of the plan description and the
17 latest annual report and the bargaining agreement, trust
18 agreement, contract, or other instruments under which the
19 plan was established or is operated available for examina-
20 tion by any plan participant or beneficiary in the principal
21 office of the administrator and in such other places as may
22 be necessary to make available all pertinent information
23 to all participants (including such places as the Secretary
24 may prescribe by regulations).

1 “(d) AVAILABILITY OF INFORMATION UPON RE-
2 QUEST.—The plan shall provide that the administrator
3 shall, upon written request of any participant or bene-
4 ficiary, furnish a copy of the latest annual report, any ter-
5 minal report, the bargaining agreement, trust agreement,
6 contract, or other instruments under which the plan is es-
7 tablished or operated. The administrator may make a rea-
8 sonable charge to cover the cost of furnishing such com-
9 plete copies. The Secretary may by regulation prescribe
10 the maximum amount which will constitute a reasonable
11 charge under the preceding sentence.

12 **“SEC. 420B. REVIEW BY QUALIFIED REVIEW BOARDS OF**
13 **CHANGES IN EMPLOYER CONTRIBUTIONS.**

14 “(a) IN GENERAL.—The requirements of this section
15 are met in connection with a public employee pension plan
16 if, under the plan, changes in employer contributions are
17 subject to review by a qualified review board established
18 for the plan as provided in this section. For purposes of
19 this section, the term ‘qualified review board’ means a
20 board—

21 “(1) whose membership is determined under the
22 law of the principal State in accordance with sub-
23 section (b), and

1 “(2) whose powers are determined under the
2 law of the principal State in accordance with sub-
3 section (c).

4 “(b) MEMBERSHIP.—

5 “(1) IN GENERAL.—The membership of a quali-
6 fied review board established for a plan shall consist
7 of 3 members selected from among individuals who,
8 by means of their education and experience, have
9 demonstrated expertise in the area of pension fund
10 management, as follows:

11 “(A) one member is appointed by the Gov-
12 ernor of the State,

13 “(B) one member is selected by the partici-
14 pants in the plan, by means of an election held
15 in such form and manner as shall be prescribed
16 in regulations of the Secretary, and

17 “(C) one member is selected jointly by the
18 Governor and by a representative of partici-
19 pants in the plan (from a certified list of pen-
20 sion experts established in accordance with
21 paragraph (2)).

22 Each member of the board shall have 1 vote. Mem-
23 bers of the board shall serve for such equivalent
24 terms as shall be prescribed under the law of the
25 principal State.

1 “(2) CERTIFIED LIST OF EXPERTS.—The Gov-
2 ernor of the State shall, for purposes of paragraph
3 (1)(C), establish and maintain with respect to each
4 public employee pension plan (for which such State
5 is the principal State) a certified list of pension ex-
6 perts meeting the requirements for membership on
7 the qualified review board. Individuals may be in-
8 cluded on such list only by agreement between the
9 Governor of the State and a representative elected
10 by participants in the plan, entered into by means
11 of collective bargaining in such form and manner as
12 shall be prescribed in regulations of the Secretary.

13 “(c) POWERS.—The board shall be treated as a quali-
14 fied review board for purposes of this section with respect
15 to any public employee pension plan (for which such State
16 is the principal State) only if the powers of such board
17 under the law of the principal State include review by the
18 board, for approval or disapproval by the board, of any
19 change in the terms of such plan, as a necessary pre-
20 requisite for such change to take effect, if—

21 “(1) such change would have the effect of
22 changing levels of employer contributions to the
23 plan, and

1 “(2) such review is requested, in such form and
2 manner as shall be prescribed in regulations of the
3 Secretary, by—

4 “(A) at least one-third of the total number
5 of trustees of any trust fund forming a part of
6 the plan, or

7 “(B) the head of any employee organiza-
8 tion representing at least 20 percent of the
9 total number of active participants in the plan.

10 The board may be treated as a qualified review board for
11 purposes of this section only if, under the law of the prin-
12 cipal State, any such change submitted to such review by
13 the board may take effect only upon approval of the
14 change by the board.

15 **“SEC. 420C. EFFECT ON OTHER LAWS.**

16 “(a) IN GENERAL.—Nothing in this subpart shall be
17 construed to alter, amend, modify, invalidate, impair, or
18 supersede any law of a State or any rule or regulation
19 issued under any such law, except to the extent that such
20 law—

21 “(1) may now or hereafter relate to the subject
22 matter of the provisions of this subpart as they
23 apply to any public employee pension plan described
24 in section 420D(b)(1) and not exempt under section
25 420D(b)(2), and

1 “(2) prevents the application of such provisions.

2 “(b) STATE CAUSES OF ACTION PRESERVED.—Noth-
3 ing in this subpart shall be construed to apply with respect
4 to State causes of action available in State courts.

5 **“SEC. 420D. DEFINITIONS AND COVERAGE.**

6 “(a) DEFINITIONS.—For purposes of this subpart—

7 “(1) ADMINISTRATOR.—The term ‘adminis-
8 trator’ means—

9 “(A) the board of trustees, retirement
10 board, or similar person with administrative re-
11 sponsibilities in connection with a plan, or any
12 other person specifically so designated in con-
13 nection with any requirement of this subpart by
14 the terms of the instrument or instruments
15 under which the plan is operated, including but
16 not limited to the law of any State or of any
17 political subdivision of any State, or

18 “(B) in any case in which there is no per-
19 son described in subparagraph (A) in connec-
20 tion with the plan, the plan sponsor.

21 “(2) BENEFICIARY.—The term ‘beneficiary’
22 means a person designated by a participant, or by
23 the terms of a public employee pension plan, who is
24 or may become entitled to a benefit thereunder.

1 “(3) CURRENT LIABILITY.—The term ‘current
2 liability’ has the meaning provided in section
3 302(d)(7) of the Employee Retirement Income Secu-
4 rity Act of 1974.

5 “(4) EMPLOYEE.—The term ‘employee’ means
6 any individual employed by an employer, employer
7 representative, or other person required to make em-
8 ployer contributions under the plan.

9 “(5) EMPLOYEE ORGANIZATION.—The term
10 ‘employee organization’ means any labor union or
11 any organization of any kind, or any agency or em-
12 ployee representation committee, association, group,
13 or plan, in which employees participate and which
14 exists for the purpose, in whole or in part, of dealing
15 with employers or employer representatives con-
16 cerning a public employee pension plan or other
17 matters incidental to employment relationships; or
18 any employees’ beneficiary association organized for
19 the purpose, in whole or in part, of establishing such
20 a plan.

21 “(6) EMPLOYER.—The term ‘employer’
22 means—

23 “(A) the government of any State or of
24 any political subdivision of a State,

1 “(B) any agency or instrumentality of a
2 government referred to in subparagraph (A), or

3 “(C) any agency or instrumentality of two
4 or more governments referred to in subpara-
5 graph (A).

6 “(7) EMPLOYER CONTRIBUTION.—The term
7 ‘employer contribution’ means any contribution to a
8 public employee pension plan other than a contribu-
9 tion made by a participant in the plan.

10 “(8) EMPLOYER REPRESENTATIVE.—The term
11 ‘employer representative’ means—

12 “(A) any group or association consisting,
13 in whole or in part, of employers acting, in con-
14 nection with a public employee pension plan, for
15 an employer, or

16 “(B) any person acting, in connection with
17 a public employee pension plan, indirectly in the
18 interest of an employer or of a group or asso-
19 ciation described in subparagraph (A).

20 “(9) PUBLIC EMPLOYEE PENSION PLAN.—The
21 terms ‘public employee pension plan’ and ‘plan’
22 mean any plan, fund, or program which was here-
23 tofore or is hereafter established or maintained, in
24 whole or in part, by an employer, an employer rep-
25 resentative, or an employee organization, or by a

1 combination thereof, to the extent that by its express
2 terms or as a result of surrounding circumstances
3 such plan, fund, or program—

4 “(A) provides retirement income to em-
5 ployees, or

6 “(B) results in a deferral of income by em-
7 ployees for periods extending to the termination
8 of covered employment or beyond,
9 regardless of the method of calculating the contribu-
10 tions made to the plan, the method of calculating
11 the benefits under the plan, or the method of distrib-
12 uting benefits from the plan.

13 “(10) PRINCIPAL STATE.—The term ‘principal
14 State’ means, for any plan year with respect to a
15 public employee pension plan, the State in which, as
16 of the beginning of such plan year, the largest per-
17 centage of the participants of the plan employed in
18 any single State is employed.

19 “(11) GOVERNOR.—The term ‘Governor’
20 means, in connection with a public employee pension
21 plan, the Governor (or equivalent official) of the
22 principal State.

23 “(12) PARTICIPANT.—The term ‘participant’
24 means any individual who is or may become eligible
25 to receive a benefit of any type from a public em-

1 ployee pension plan or whose beneficiaries may be el-
2 ible to receive any such benefit.

3 “(13) PERSON.—The term ‘person’ means a
4 State, a political subdivision of a State, any agency
5 or instrumentality of a State or a political subdivi-
6 sion of a State, an individual, a partnership, a joint
7 venture, a corporation, a mutual company, a joint-
8 stock company, a trust, an estate, an unincorporated
9 organization, an association, or an employee organi-
10 zation.

11 “(14) PLAN SPONSOR.—The term ‘plan spon-
12 sor’ means—

13 “(A) in the case of a plan established or
14 maintained solely for employees of a single em-
15 ployer, such employer,

16 “(B) in the case of a plan established or
17 maintained by an employee organization, the
18 employee organization, or

19 “(C) in the case of a plan established or
20 maintained by two or more employers or jointly
21 by one or more employers and one or more em-
22 ployee organizations, the association, com-
23 mittee, board of trustees, or other similar group
24 of representatives of the parties who establish
25 or maintain the plan.

1 “(15) PLAN YEAR.—The term ‘plan year’
2 means, with respect to a plan, the calendar, policy,
3 or fiscal year on which the records of the plan are
4 kept.

5 “(16) STATE.—The term ‘State’ means any
6 State of the United States, the District of Columbia,
7 the Commonwealth of Puerto Rico, the Virgin Is-
8 lands, American Samoa, and Guam.

9 “(b) COVERAGE.—

10 “(1) IN GENERAL.—Except as provided in para-
11 graph (2), this subpart shall apply to any public em-
12 ployee pension plan.

13 “(2) EXCEPTIONS FROM COVERAGE.—The pro-
14 visions of this subpart shall not apply to—

15 “(A) any employee benefit plan described
16 in section 4(a) of the Employee Retirement In-
17 come Security Act of 1974 (29 U.S.C.
18 1003(a)), which is not exempt under section
19 4(b)(1) of such Act (29 U.S.C. 1003(b)(1));

20 “(B) any plan which is unfunded and is
21 maintained by an employer or employer rep-
22 resentative primarily for the purpose of pro-
23 viding deferred compensation for a select group
24 of management or highly compensated employ-
25 ees;

1 “(C) any arrangement which would be a
2 severance pay arrangement, as defined in regu-
3 lations of the Secretary of Labor under section
4 3(2)(B)(i) of the Employee Retirement Income
5 Security Act of 1974 (29 U.S.C.
6 1002(2)(B)(i)), if the employer were an em-
7 ployer within the meaning of section 3(5) of
8 such Act (29 U.S.C. 1002(5));

9 “(D) any agreement to the extent it is a
10 coverage agreement entered into pursuant to
11 section 218 of the Social Security Act (42
12 U.S.C. 418);

13 “(E) any individual retirement account or
14 any individual retirement annuity within the
15 meaning of section 408, or a retirement bond
16 within the meaning of section 409;

17 “(F) any plan described in section 401(d);

18 “(G) any individual account plan con-
19 sisting of an annuity contract described in sec-
20 tion 403(b);

21 “(H) any eligible State deferred compensa-
22 tion plan, as defined in section 457(b); or

23 “(I) any plan maintained solely for the
24 purpose of complying with applicable workers’

1 compensation laws or disability insurance
 2 laws.”

3 **SEC. 102. EFFECTIVE DATE OF TITLE.**

4 The amendments made by this title shall apply with
 5 respect to plan years beginning on or after January 1,
 6 2001.

7 **TITLE II—PENSION**
 8 **IMPROVEMENTS**

9 **SEC. 201. AUTOMATIC ENROLLMENT OF ALL EMPLOYEES IN**
 10 **401(k) PLANS.**

11 (a) IN GENERAL.—Subparagraph (A) of section
 12 401(m) of the Internal Revenue Code of 1986 (relating
 13 to additional alternative method of satisfying non-
 14 discrimination tests) is amended by striking “and” at the
 15 end of clause (ii), by striking the period at the end of
 16 clause (iii) and inserting “, and”, and by inserting after
 17 clause (iii) the following new clause:

18 “(iv) meets the requirements of sub-
 19 paragraph (C).”.

20 (b) MINIMUM COVERAGE REQUIREMENTS.—Para-
 21 graph (11) of section 401(m) of such Code is amended
 22 by adding at the end the following new subparagraph:

23 “(C) MINIMUM COVERAGE REQUIRE-
 24 MENTS.—The requirements of this subpara-
 25 graph are met if—

1 “(i) the plan meets the requirements
2 of section 410(b), or

3 “(ii) the plan is offered to all eligible
4 employees.

5 For purposes of clause (ii), a plan shall be
6 treated as offered to an eligible employee if the
7 employee is eligible to participate in the plan
8 and if the employee may elect to have employer
9 contributions made on the employee’s behalf
10 under the plan as elective employer contribu-
11 tions to such plan on behalf of the employee or
12 to the employee directly in cash.”.

13 **SEC. 202. IMPROVEMENTS IN SIMPLIFIED EMPLOYEE PEN-**
14 **SIONS.**

15 (a) PARTICIPATION REQUIREMENTS.—Paragraph (2)
16 of section 408(k) of the Internal Revenue Code of 1986
17 (relating to participation requirements) is amended—

18 (1) in subparagraph (A), by adding “and” at
19 the end; and

20 (2) by striking subparagraphs (B) and (C) and
21 inserting the following:

22 “(B) has completed at least 3 years of
23 service (as defined in section 411(a)(5)) for the
24 employer.”.

1 (b) NONDISCRIMINATION RULES.—Subparagraph
 2 (C) of section 408(k)(3) of such Code (requiring contribu-
 3 tion to bear uniform relationship to total compensation)
 4 is amended—

5 (1) in the heading, by striking “MUST BEAR
 6 UNIFORM RELATIONSHIP TO TOTAL COMPENSATION”
 7 and inserting “MUST BE UNIFORM”; and

8 (2) by inserting after “unless contributions
 9 thereto” the following: “are uniform for all employ-
 10 ees maintaining a simplified employee pension or”.

11 (c) CONSENT TO PARTICIPATION NOT REQUIRED.—
 12 Paragraph (2) of section 408(k) of such Code (relating
 13 to participation requirements) is amended by adding at
 14 the end the following new sentence: “An employer may
 15 establish and maintain a simplified employee pension for
 16 an employee without the employee’s consent.”.

17 (d) RAISE IN LIMITATION ON CONTRIBUTIONS.—Sec-
 18 tion 404(h)(1) of such Code (relating to special rules for
 19 simplified employee pensions) is amended by striking sub-
 20 paragraph (C) and inserting the following new subpara-
 21 graphs:

22 “(C) The amount deductible in a taxable
 23 year for a simplified employee pension shall not
 24 exceed \$30,000. The excess of the amount con-
 25 tributed over the amount deductible for a tax-

1 able year shall be deductible in the succeeding
2 taxable years in order of time, subject to the
3 limit of the preceding sentence.

4 “(D) The Secretary shall adjust annually
5 the \$30,000 amount in subparagraph (C) for
6 increases in the cost-of-living at the same time
7 and in the same manner as adjustments under
8 section 415(d), except that the base period shall
9 be the calendar quarter ending September 30,
10 2000, and any increase which is not a multiple
11 of \$100 shall be rounded to the next lowest
12 multiple of \$100.”.

13 (e) SEPARATE TREATMENT OF CONTRIBUTIONS TO
14 SIMPLIFIED EMPLOYEE PENSIONS.—

15 (1) DETERMINATION OF DEDUCTIBLE CON-
16 TRIBUTIONS.—Subsection (h) of section 404 of such
17 Code is amended by striking paragraphs (2) and (3)
18 and inserting the following new paragraph:

19 “(2) LIMITATION BASED ON COMBINATION OF
20 PLANS INAPPLICABLE.—Contributions to a sim-
21 plified employee pension shall not be taken into ac-
22 count for purposes of subsection (a)(7).”.

23 (2) DETERMINATION OF LIMITS ON ANNUAL
24 CONTRIBUTIONS UNDER NONDISCRIMINATION
25 RULES.—Paragraph (5) of section 415(e) of such

1 Code (relating to special rules for sections 403(b)
2 and 408) is amended by striking the second sentence
3 and inserting the following new sentence: “For pur-
4 poses of this section, any contribution by an em-
5 ployer to a simplified employee pension shall not be
6 taken into account.”.

7 (f) JOINT AND SURVIVOR ANNUITY REQUIRE-
8 MENTS.—Section 408(k) of such Code is amended—

9 (1) by redesignating paragraph (9) as para-
10 graph (10); and

11 (2) by inserting after paragraph (8) the fol-
12 lowing new paragraph:

13 “(9) JOINT AND SURVIVOR ANNUITY REQUIRE-
14 MENTS.—Requirements similar to the requirements
15 of section 401(a)(11) shall apply with respect to an-
16 nuities purchased with amounts distributed from
17 simplified employee pensions.”.

18 (g) ANNUAL REPORTING REQUIRMEENTS FOR SIM-
19 PLIFIED EMPLOYEE PENSIONS.—Paragraph (1) of section
20 408(l) of such Code (relating to simplified employer re-
21 ports) is amended to read as follows:

22 “(1) IN GENERAL.—The Secretary shall require
23 by regulations that an employer who makes a con-
24 tribution on behalf of an employee to a simplified
25 employee pension shall provide simplified annual re-

1 ports. The reports required by this subsection shall
2 be filed in such manner, and information with re-
3 spect to such contributions shall be furnished to the
4 employee in such manner, as may be required by
5 regulations, except that such reports shall include
6 information sufficient to allow the employee to deter-
7 mine that the simplified employee pension is in com-
8 pliance with the requirements of this section.”.

9 **SEC. 203. PENSION INTEGRATION RULES.**

10 (a) APPLICABILITY OF NEW INTEGRATION RULES
11 EXTENDED TO ALL EXISTING ACCRUED BENEFITS.—
12 Notwithstanding subsection (c)(1) of section 1111 of the
13 Tax Reform Act of 1986 (relating to effective date of ap-
14 plication of nondiscrimination rules to integrated plans)
15 (100 Stat. 2440), effective for plan years beginning after
16 the date of the enactment of this Act, the amendments
17 made by subsection (a) of such section 1111 shall also
18 apply to benefits attributable to plan years beginning on
19 or before December 31, 1988.

20 (b) INTEGRATION DISALLOWED FOR SIMPLIFIED
21 EMPLOYEE PENSIONS.—

22 (1) IN GENERAL.—Subparagraph (D) of section
23 408(k)(3) of the Internal Revenue Code of 1986 (re-
24 lating to permitted disparity under rules limiting

1 discrimination under simplified employee pensions)
 2 is repealed.

3 (2) CONFORMING AMENDMENT.—Subparagraph
 4 (C) of such section 408(k)(3) is amended by striking
 5 “and except as provided in subparagraph (D),”.

6 (3) EFFECTIVE DATE.—The amendments made
 7 by this subsection shall apply with respect to taxable
 8 years beginning on or after January 1, 1999.

9 (c) EVENTUAL REPEAL OF INTEGRATION RULES.—
 10 Effective for plan years beginning on or after January 1,
 11 2002—

12 (1) subparagraphs (C) and (D) of section
 13 401(a)(5) of the Internal Revenue Code of 1986 (re-
 14 lating to pension integration exceptions under non-
 15 discrimination requirements for qualification) are re-
 16 pealed, and subparagraphs (E), (F), and (G) of such
 17 section 401(a)(5) are redesignated as subparagraphs
 18 (C), (D), and (E), respectively; and

19 (2) subsection (l) of section 401 of such Code
 20 (relating to nondiscriminatory coordination of de-
 21 fined contribution plans with OASDI) is repealed.

22 **SEC. 204. INCREASE TO AGE 75 FOR BEGINNING MANDA-**
 23 **TORY DISTRIBUTIONS.**

24 (a) QUALIFIED PENSION PLANS.—Subparagraph (C)
 25 of section 401(a)(9) of the Internal Revenue Code of 1986

1 (relating to required distributions) is amended by striking
 2 “age 70½” each place it appears and inserting “the appli-
 3 cable age”.

4 (b) APPLICABLE AGE.—Subparagraph (C) of section
 5 401(a)(9) of such Code is amended by adding at the end
 6 the following new clause:

7 “(v) APPLICABLE AGE.—

8 “(I) IN GENERAL.—For purposes
 9 of this clause, the term applicable age
 10 shall be determined in accordance
 11 with the following table:

“Calendar Year:	Applicable Age:
2001	71
2002	72
2003	73
2004	74
2005 and each calendar year thereafter	75.

12 “(II) ELECTION TO USE AGE OF
 13 SPOUSE.—For purposes of this sub-
 14 paragraph, an employee who files a
 15 joint return for a taxable year may
 16 elect to substitute the age of the em-
 17 ployee’s spouse for his age.”.

18 (c) INDIVIDUAL RETIREMENT ACCOUNTS.—Para-
 19 graph (1) of section 219(d) of such Code is amended—

20 (1) by striking “age 70½” in the text and in-
 21 serting “the applicable age (as defined in section
 22 401(a)(9)(C)(v))”, and

1 (2) by striking “AGE 70½” in the heading and
 2 inserting “THE APPLICABLE AGE”.

3 (d) ROTH IRA’S.—Paragraph (4) of section 408A(c)
 4 of such Code is amended—

5 (1) by striking “age 70½” in the text and in-
 6 serting “the applicable age (as defined in section
 7 401(a)(9)(C)(v))”, and

8 (2) by striking “AGE 70½” in the heading and
 9 inserting “THE APPLICABLE AGE”.

10 **SEC. 205. TREATMENT OF MULTIEMPLOYER PLANS UNDER**
 11 **SECTION 415.**

12 (a) COMPENSATION LIMIT.—Paragraph (11) of sec-
 13 tion 415(b) of the Internal Revenue Code of 1986 (relat-
 14 ing to limitation for defined benefit plans) is amended to
 15 read as follows:

16 “(11) SPECIAL LIMITATION RULE FOR GOVERN-
 17 MENTAL AND MULTIEMPLOYER PLANS.—In the case
 18 of a governmental plan (as defined in section
 19 414(d)) or a multiemployer plan (as defined in sec-
 20 tion 414(f)), subparagraph (B) of paragraph (1)
 21 shall not apply.”.

22 (b) COMBINING AND AGGREGATION OF PLANS.—

23 (1) COMBINING OF PLANS.—Subsection (f) of
 24 section 415 of such Code (relating to combining of

1 plans) is amended by adding at the end the fol-
 2 lowing:

3 “(3) EXCEPTION FOR MULTIEMPLOYER
 4 PLANS.—Notwithstanding paragraph (1) and sub-
 5 section (g), a multiemployer plan (as defined in sec-
 6 tion 414(f)) shall not be combined or aggregated
 7 with any other plan maintained by an employer for
 8 purposes of applying the limitations established in
 9 this section, except that such plan shall be combined
 10 or aggregated with another plan which is not such
 11 a multiemployer plan solely for purposes of deter-
 12 mining whether such other plan meets the require-
 13 ments of subsections (b)(1)(A) and (c).”.

14 (2) CONFORMING AMENDMENT FOR AGGREGA-
 15 TION OF PLANS.—Subsection (g) of section 415 of
 16 such Code (relating to aggregation of plans) is
 17 amended by striking “The Secretary” and inserting
 18 “Except as provided in subsection (f)(3), the Sec-
 19 retary”.

20 **SEC. 206. RESTRICTIONS ON EXCLUSION OF UNIONIZED**
 21 **EMPLOYEES FROM PARTICIPATION IN 401(k)**
 22 **PLANS.**

23 Paragraph (4) of section 401(k) of the Internal Rev-
 24 enue Code of 1986 (relating to other requirements) is

1 amended by adding at the end the following new subpara-
 2 graph:

3 “(D) BENEFITS SUBJECT OF BAR-
 4 GAINING.—A cash or deferred arrangement of
 5 any employer shall not be treated as a qualified
 6 cash or deferred arrangement if any employee
 7 of such employer who is described in section
 8 410(b)(3)(A) and who is not eligible to benefit
 9 under the arrangement is not otherwise covered
 10 under an employee pension benefit plan (as de-
 11 fined in section 3(2)(A) of the Employee Retire-
 12 ment Income Security Act of 1974) which is
 13 maintained for employees of such employer pur-
 14 suant to an agreement which the Secretary of
 15 Labor finds to be a collective bargaining agree-
 16 ment between employee representatives and one
 17 or more employers and which is qualified under
 18 section 401(a).”.

19 **SEC. 207. REPEAL OF COORDINATION REQUIREMENTS FOR**
 20 **DEFERRED COMPENSATION PLANS OF STATE**
 21 **AND LOCAL GOVERNMENTS AND TAX-EX-**
 22 **EMPT ORGANIZATIONS.**

23 (a) IN GENERAL.—Subsection (c) of section 457 of
 24 the Internal Revenue Code of 1986 (relating to deferred

1 compensation plans of State and local governments and
 2 tax-exempt organizations) is amended to read as follows:

3 “(c) LIMITATION.—The maximum amount of the
 4 compensation of any one individual which may be deferred
 5 under subsection (a) during any taxable year shall not ex-
 6 ceed the amount in effect under subsection (b)(2)(A) (as
 7 modified by any adjustment provided under subsection
 8 (b)(3)).”.

9 (b) EFFECTIVE DATE.—The amendment made by
 10 subsection (a) shall apply to years beginning after Decem-
 11 ber 31, 2000.

12 **SEC. 208. CLARIFICATION OF TAX TREATMENT OF DIVISION**
 13 **OF SECTION 457 PLAN BENEFITS UPON DI-**
 14 **VORCE.**

15 (a) IN GENERAL.—Section 414(p)(11) of the Inter-
 16 nal Revenue Code of 1986 (relating to application of rules
 17 to governmental and church plans) is amended—

18 (1) by inserting “or an eligible deferred com-
 19 pensation plan (within the meaning of section
 20 457(b))” after “subsection (e))”, and

21 (2) in the heading, by striking “GOVERN-
 22 MENTAL AND CHURCH PLANS” and inserting “CER-
 23 TAIN OTHER PLANS”.

24 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-
 25 MENTS.—Paragraph (10) of section 414(p) of such Code

1 is amended by striking “and section 409(d)” and inserting
 2 “section 409(d), and section 457(d)”.

3 (c) TAX TREATMENT OF PAYMENTS FROM A SEC-
 4 TION 457 PLAN.—Subsection (p) of section 414 of such
 5 Code is amended by redesignating paragraph (12) as para-
 6 graph (13) and inserting after paragraph (11) the fol-
 7 lowing new paragraph:

8 “(12) TAX TREATMENT OF PAYMENTS FROM A
 9 SECTION 457 PLAN.—If a distribution or payment
 10 from an eligible deferred compensation plan de-
 11 scribed in section 457(b) is made pursuant to a
 12 qualified domestic relations order, rules similar to
 13 the rules of section 402(e)(1)(A) shall apply to such
 14 distribution or payment.”.

15 (d) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to transfers, distributions, and
 17 payments made after December 31, 2000.

18 **SEC. 209. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**
 19 **OF PLANS.**

20 (a) ROLLOVERS FROM AND TO SECTION 457
 21 PLANS.—

22 (1) ROLLOVERS FROM SECTION 457 PLANS.—

23 (A) IN GENERAL.—Section 457(e) of the
 24 Internal Revenue Code of 1986 (relating to

other definitions and special rules) is amended
by adding at the end the following:

“(16) ROLLOVER AMOUNTS.—

“(A) GENERAL RULE.—In the case of an
eligible deferred compensation plan established
and maintained by an employer described in
subsection (e)(1)(A), if—

“(i) any portion of the balance to the
credit of an employee in such plan is paid
to such employee in an eligible rollover dis-
tribution (within the meaning of section
402(c)(4) without regard to subparagraph
(C) thereof),

“(ii) the employee transfers any por-
tion of the property such employee receives
in such distribution to an eligible retire-
ment plan described in section
402(c)(8)(B), and

“(iii) in the case of a distribution of
property other than money, the amount so
transferred consists of the property distrib-
uted,

then such distribution (to the extent so trans-
ferred) shall not be includible in gross income
for the taxable year in which paid.

1 “(B) CERTAIN RULES MADE APPLICA-
 2 BLE.—The rules of paragraphs (2) through (7)
 3 (other than paragraph (4)(C)) and (9) of sec-
 4 tion 402(c) and section 402(f) shall apply for
 5 purposes of subparagraph (A).

6 “(C) REPORTING.—Rollovers under this
 7 paragraph shall be reported to the Secretary in
 8 the same manner as rollovers from qualified re-
 9 tirement plans (as defined in section
 10 4974(c)).”.

11 (B) DEFERRAL LIMIT DETERMINED WITH-
 12 OUT REGARD TO ROLLOVER AMOUNTS.—Section
 13 457(b)(2) of such Code (defining eligible de-
 14 ferred compensation plan) is amended by insert-
 15 ing “(other than rollover amounts)” after “tax-
 16 able year”.

17 (C) DIRECT ROLLOVER.—Paragraph (1) of
 18 section 457(d) of such Code is amended by
 19 striking “and” at the end of subparagraph (A),
 20 by striking the period at the end of subpara-
 21 graph (B) and inserting “, and”, and by insert-
 22 ing after subparagraph (B) the following:

23 “(C) in the case of a plan maintained by
 24 an employer described in subsection (e)(1)(A),

1 the plan meets requirements similar to the re-
2 quirements of section 401(a)(31).

3 Any amount transferred in a direct trustee-to-trust-
4 ee transfer in accordance with section 401(a)(31)
5 shall not be includible in gross income for the tax-
6 able year of transfer.”.

7 (D) WITHHOLDING.—

8 (i) Paragraph (12) of section 3401(a)
9 of such Code is amended by adding at the
10 end the following:

11 “(E) under or to an eligible deferred com-
12 pensation plan which, at the time of such pay-
13 ment, is a plan described in section 457(b)
14 maintained by an employer described in section
15 457(e)(1)(A); or”.

16 (ii) Paragraph (3) of section 3405(c)
17 of such Code is amended to read as fol-
18 lows:

19 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For
20 purposes of this subsection, the term ‘eligible roll-
21 over distribution’ has the meaning given such term
22 by section 402(f)(2)(A).”.

23 (iii) LIABILITY FOR WITHHOLDING.—
24 Subparagraph (B) of section 3405(d)(2) of
25 such Code is amended by striking “or” at

1 the end of clause (ii), by striking the pe-
 2 riod at the end of clause (iii) and inserting
 3 “, or”, and by adding at the end the fol-
 4 lowing:

5 “(iv) section 457(b).”.

6 (2) ROLLOVERS TO SECTION 457 PLANS.—

7 (A) IN GENERAL.—Section 402(c)(8)(B) of
 8 such Code (defining eligible retirement plan) is
 9 amended by striking “and” at the end of clause
 10 (iii), by striking the period at the end of clause
 11 (iv) and inserting “, and”, and by inserting
 12 after clause (iv) the following new clause:

13 “(v) an eligible deferred compensation
 14 plan described in section 457(b) of an em-
 15 ployer described in section 457(e)(1)(A).”.

16 (B) SEPARATE ACCOUNTING.—Section
 17 402(c) of such Code is amended by adding at
 18 the end the following new paragraph:

19 “(11) SEPARATE ACCOUNTING.—Unless a plan
 20 described in clause (v) of paragraph (8)(B) agrees to
 21 separately account for amounts rolled into such plan
 22 from eligible retirement plans not described in such
 23 clause, the plan described in such clause may not ac-
 24 cept transfers or rollovers from such retirement
 25 plans.”.

1 (C) 10 PERCENT ADDITIONAL TAX.—Sub-
 2 section (t) of section 72 of such Code (relating
 3 to 10-percent additional tax on early distribu-
 4 tions from qualified retirement plans) is amend-
 5 ed by adding at the end the following new para-
 6 graph:

7 “(11) SPECIAL RULE FOR ROLLOVERS TO SEC-
 8 TION 457 PLANS.—For purposes of this subsection,
 9 a distribution from an eligible deferred compensation
 10 plan (as defined in section 457(b)) of an employer
 11 described in section 457(e)(1)(A) shall be treated as
 12 a distribution from a qualified retirement plan de-
 13 scribed in section 4974(c)(1) to the extent that such
 14 distribution is attributable to an amount transferred
 15 to an eligible deferred compensation plan from a
 16 qualified retirement plan (as defined in section
 17 4974(c)).”.

18 (b) ALLOWANCE OF ROLLOVERS FROM AND TO
 19 403(b) PLANS.—

20 (1) ROLLOVERS FROM SECTION 403(b)
 21 PLANS.—Section 403(b)(8)(A)(ii) of such Code (re-
 22 lating to rollover amounts) is amended by striking
 23 “such distribution” and all that follows and insert-
 24 ing “such distribution to an eligible retirement plan
 25 described in section 402(c)(8)(B), and”.

1 (2) ROLLOVERS TO SECTION 403(b) PLANS.—

2 Section 402(c)(8)(B) of such Code (defining eligible
3 retirement plan), as amended by subsection (a), is
4 amended by striking “and” at the end of clause (iv),
5 by striking the period at the end of clause (v) and
6 inserting “, and”, and by inserting after clause (v)
7 the following new clause:

8 “(vi) an annuity contract described in
9 section 403(b).”.

10 (c) EXPANDED EXPLANATION TO RECIPIENTS OF
11 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
12 402(f) of such Code (relating to written explanation to re-
13 cipients of distributions eligible for rollover treatment) is
14 amended by striking “and” at the end of subparagraph
15 (C), by striking the period at the end of subparagraph (D)
16 and inserting “, and”, and by adding at the end the fol-
17 lowing new subparagraph:

18 “(E) of the provisions under which dis-
19 tributions from the eligible retirement plan re-
20 ceiving the distribution may be subject to re-
21 strictions and tax consequences which are dif-
22 ferent from those applicable to distributions
23 from the plan making such distribution.”.

24 (d) SPOUSAL ROLLOVERS.—Section 402(c)(9) of
25 such Code (relating to rollover where spouse receives dis-

1 tribution after death of employee) is amended by striking
2 “; except that” and all that follows up to the end period.

3 (e) CONFORMING AMENDMENTS.—

4 (1) Section 72(o)(4) of such Code is amended
5 by striking “and 408(d)(3)” and inserting
6 “403(b)(8), 408(d)(3), and 457(e)(16)”.

7 (2) Section 219(d)(2) of such Code is amended
8 by striking “or 408(d)(3)” and inserting “408(d)(3),
9 or 457(e)(16)”.

10 (3) Section 401(a)(31)(B) of such Code is
11 amended by striking “and 403(a)(4)” and inserting
12 “, 403(a)(4), 403(b)(8), and 457(e)(16)”.

13 (4) Subparagraph (A) of section 402(f)(2) of
14 such Code is amended by striking “or paragraph (4)
15 of section 403(a)” and inserting “, paragraph (4) of
16 section 403(a), subparagraph (A) of section
17 403(b)(8), or subparagraph (A) of section
18 457(e)(16)”.

19 (5) Paragraph (1) of section 402(f) of such
20 Code is amended by striking “from an eligible retire-
21 ment plan”.

22 (6) Subparagraphs (A) and (B) of section
23 402(f)(1) of such Code are each amended by striking
24 “another eligible retirement plan” and inserting “an
25 eligible retirement plan”.

(7) Subparagraph (B) of section 403(b)(8) of such Code is amended to read as follows:

“(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payer in lieu of the plan administrator.”.

(8) Section 408(a)(1) of such Code is amended by striking “or 403(b)(8),” and inserting “403(b)(8), or 457(e)(16)”.

(9) Subparagraphs (A) and (B) of section 415(b)(2) of such Code are each amended by striking “and 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and 457(e)(16)”.

(10) Section 415(c)(2) of such Code is amended by striking “and 408(d)(3)” and inserting “408(d)(3), and 457(e)(16)”.

(11) Section 4973(b)(1)(A) of such Code is amended by striking “or 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

1 (2) SPECIAL RULE.—Notwithstanding any other
 2 provision of law, subsections (h)(3) and (h)(5) of
 3 section 1122 of the Tax Reform Act of 1986 shall
 4 not apply to any distribution from an eligible retire-
 5 ment plan (as defined in clause (iii) or (iv) of section
 6 402(c)(8)(B) of the Internal Revenue Code of 1986)
 7 on behalf of an individual if there was a rollover to
 8 such plan on behalf of such individual which is per-
 9 mitted solely by reason of any amendment made by
 10 this section.

11 **SEC. 210. PURCHASE OF SERVICE CREDIT IN GOVERN-**
 12 **MENTAL DEFINED BENEFIT PLANS.**

13 (a) 403(b) PLANS.—Subsection (b) of section 403 of
 14 the Internal Revenue Code of 1986 is amended by adding
 15 at the end the following new paragraph:

16 “(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO
 17 PURCHASE PERMISSIVE SERVICE CREDIT.—No
 18 amount shall be includible in gross income by reason
 19 of a direct trustee-to-trustee transfer to a defined
 20 benefit governmental plan (as defined in section
 21 414(d)) if such transfer is—

22 “(A) for the purchase of permissive service
 23 credit (as defined in section 415(n)(3)(A))
 24 under such plan, or

1 “(B) a repayment to which section 415
2 does not apply by reason of subsection (k)(3)
3 thereof.”.

4 (b) 457 PLANS.—

5 (1) Subsection (e) of section 457 of such Code
6 is amended by adding after paragraph (16) the fol-
7 lowing new paragraph:

8 “(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO
9 PURCHASE PERMISSIVE SERVICE CREDIT.—No
10 amount shall be includible in gross income by reason
11 of a direct trustee-to-trustee transfer to a defined
12 benefit governmental plan (as defined in section
13 414(d)) if such transfer is—

14 “(A) for the purchase of permissive service
15 credit (as defined in section 415(n)(3)(A))
16 under such plan, or

17 “(B) a repayment to which section 415
18 does not apply by reason of subsection (k)(3)
19 thereof.”.

20 (2) Section 457(b)(2) is amended by striking
21 “(other than rollover amounts)” and inserting
22 “(other than rollover amounts and amounts received
23 in a transfer referred to in subsection (e)(17))”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to trustee-to-trustee transfers after
 3 December 31, 2000.

4 **TITLE III—ADDITIONAL** 5 **AMENDMENTS**

6 **SEC. 301. INVOLUNTARY CASH-OUTS FROM SECTION 457** 7 **PLANS PERMITTED ONLY IF DISTRIBUTION** 8 **ROLLED TO A QUALIFIED PLAN.**

9 (a) IN GENERAL.—Section 457(e)(9) of the Internal
 10 Revenue Code of 1986 is amended—

11 (1) by striking clause (i) and inserting the fol-
 12 lowing:

13 “(i) in any case in which such amount
 14 exceeds \$500, such amount (to the extent
 15 the distribution of such amount is other-
 16 wise includible in gross income) is distrib-
 17 uted in a trustee-to-trustee transfer to a
 18 qualified plan of such individual which is
 19 specified by such individual.”; and

20 (2) by adding at the end the following new sub-
 21 paragraph:

22 “(C) QUALIFIED PLAN.—For purposes of
 23 subparagraph (A), the term ‘qualified plan’
 24 means a plan, contract, pension, or trust de-

1 scribed in subparagraph (A) or (B) of section
2 219(g)(5).”.

3 (b) EXCEPTION FROM INCOME TAX WITH-
4 HOLDING.—Paragraph (2) of section 3405(c) of such
5 Code is amended by inserting before the period “or if the
6 distribution is a trustee-to-trustee transfer described in
7 section 203(e) or 205(g) of the Employee Retirement In-
8 come Security Act of 1974 or section 457(e)(9) of this
9 title”.

10 **SEC. 302. STATUTORY EXEMPTION FROM PROHIBITED**
11 **TRANSACTION RULES FOR EMERGENT**
12 **TRANSACTIONS.**

13 (a) IN GENERAL.—Section 4975 of the Internal Rev-
14 enue Code of 1986 (relating to tax on prohibited trans-
15 actions) is amended—

16 (1) by redesignating subsections (h) and (i) as
17 subsections (i) and (j), respectively; and

18 (2) by inserting after subsection (g) the fol-
19 lowing new subsection:

20 “(h) STATUTORY EXEMPTION FROM PROHIBITED
21 TRANSACTION RULES FOR EMERGENT TRANSACTIONS.—

22 “(1) IN GENERAL.—Pursuant to regulations
23 issued by the Secretary of Labor, a transaction be-
24 tween a plan and an eligible person constituting the
25 purchase or sale of a financial product which is in

1 violation of a restriction imposed by subsection
2 (c)(1) may be exempted under section 408(a) of the
3 Employee Retirement Income Security Act of 1974
4 from treatment as a violation of such restriction if—

5 “(A) prior to engaging in the transaction,
6 the plan acquires from the eligible person a
7 qualifying guarantee, consisting of a letter of
8 credit or other form of written guarantee,
9 issued by a bank or similar financial institution
10 (other than the eligible person requesting the
11 exemption or an affiliate) regulated and super-
12 vised by, and subject to periodic examination
13 by, an agency of a State or of the Federal Gov-
14 ernment, in a stated amount equal, as of the
15 close of business on the day preceding the
16 transaction, to not less than 100 percent of the
17 amount of plan assets involved in the trans-
18 action, plus interest on that amount at a rate
19 determined by the parties to the transaction, or
20 in the absence of such determination, an inter-
21 est rate equal to the underpayment rate defined
22 in section 6621(a)(2);

23 “(B) the eligible person receives in such
24 transaction not more than reasonable com-
25 pensation;

1 “(C) such transaction is expressly ap-
2 proved by an independent fiduciary who has in-
3 vestment authority with respect to the plan as-
4 sets involved in the transaction;

5 “(D) within 60 days after the transaction,
6 the eligible person submits to the Secretary an
7 application for an exemption under subsection
8 (a) from such restriction;

9 “(E) immediately after the acquisition of
10 the financial product—

11 “(i) the fair market value of such fi-
12 nancial product does not exceed 1 percent
13 of the fair market value of the assets of
14 the plan, and

15 “(ii) the aggregate fair market value
16 of all outstanding financial products ac-
17 quired by the plan from the eligible person
18 pursuant to this subsection does not exceed
19 5 percent of the fair market value of the
20 assets of the plan;

21 “(F) the Secretary determines not to grant
22 the exemption; and

23 “(G) the transaction is reversed within 60
24 days after the date of the Secretary’s deter-
25 mination.

1 “(2) For purposes of this subsection—

2 “(A) a guarantee referred to in paragraph
3 (1) is ‘qualifying’ if such guarantee is irrev-
4 ocable and, under the terms of the guarantee—

5 “(i) if the Secretary grants the ex-
6 emption, the guarantee may expire without
7 any payments made to the plan, and

8 “(ii) if the Secretary determines not
9 to grant the exemption, the plan has the
10 unconditional right to apply the amounts
11 under the guarantee to any losses suffered
12 and to the payment of interest determined
13 under paragraph (1); and

14 “(B) the term ‘eligible person’ means a
15 person that—

16 “(i) consists of—

17 “(I) a bank as defined in section
18 202(a)(2) of the Investment Advisers
19 Act of 1940,

20 “(II) an investment adviser reg-
21 istered under the Investment Advisers
22 Act of 1940,

23 “(III) an insurance company
24 which is qualified to do business in
25 more than one State, or

1 “(IV) a broker-dealer registered
 2 under the Securities Exchange Act of
 3 1934,

4 “(ii) has shareholders’ or partners’ eq-
 5 uity in excess of \$1,000,000, and

6 “(iii) is not described in section 411
 7 of the Employee Retirement Income Secu-
 8 rity Act of 1974.”.

9 (b) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply with respect to transactions occur-
 11 ring after December 31, 2000.

12 **SEC. 303. LOANS FROM RETIREMENT PLANS FOR HEALTH**
 13 **INSURANCE AND JOB TRAINING EXPENSES.**

14 (a) QUALIFICATION REQUIREMENT FOR PENSION
 15 PLANS.—Paragraph (13) of section 401(a) of the Internal
 16 Revenue Code of 1986 (relating to assignment and alien-
 17 ation) is amended by adding at the end the following new
 18 subparagraph:

19 “(E) LOANS FROM RETIREMENT PLANS
 20 FOR HEALTH INSURANCE AND JOB TRAINING
 21 EXPENSES.—Notwithstanding subparagraph
 22 (A), a trust shall not constitute a qualified
 23 trust under this section unless the plan of
 24 which such trust is a part provides that a par-
 25 ticipant or beneficiary who is involuntarily sepa-

1 rated from employment may, on the date of
 2 such separation, obtain a loan from the plan
 3 the proceeds of which are to be used within 6
 4 months after the date of such loan—

5 “(i) for payments for insurance which
 6 constitutes medical care for the taxpayer
 7 and the taxpayer’s spouse and dependents,
 8 or

9 “(ii) for job training expenses.

10 For purposes of the preceding sentence, the re-
 11 quirements of clauses subparagraphs (B)(iv),
 12 (v), and (vi), (C), (D), and (E) of section
 13 408(e)(7) shall apply, and in the case of a plan
 14 that is a defined benefit plan, section
 15 408(e)(7)(C) shall be applied by substituting
 16 ‘accruals (other than contributions)’ for ‘inter-
 17 ests and dividends’.”.

18 (b) PROHIBITED TRANSACTION EXEMPTION.—Sec-
 19 tion 4975(d) of such Code (relating to exemptions from
 20 tax on prohibited transactions) is amended by striking
 21 “or” at the end of paragraph (14), by striking the period
 22 at the end of paragraph (15) and inserting “; or”, and
 23 by inserting after paragraph (15) the following new para-
 24 graph:

25 “(16) any loan—

1 “(A) from an individual retirement plan
 2 for the payment of health insurance premiums
 3 or job training expenses that is a qualified loan
 4 (as defined in section 408(e)(7)(B)), or

5 “(B) made by the plan to a disqualified
 6 person who is a participant or beneficiary of the
 7 plan if such loan—

8 “(i) is for the payment of health in-
 9 surance premiums or job training ex-
 10 penses, and

11 “(ii) meets the requirements of sec-
 12 tion 401(a)(13)(E).”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to loans made after the effective
 15 date specified in section 401.

16 **SEC. 304. MISSING PARTICIPANTS.**

17 (a) IN GENERAL.—Section 401(a)(34) of the Internal
 18 Revenue Code of 1986 (relating to benefits of missing par-
 19 ticipants on plan termination) is amended by striking
 20 “title IV” and inserting “section 4050”.

21 (b) EFFECTIVE DATE.—The amendment made by
 22 this section shall apply to distributions made after 1 year
 23 after the date of the enactment of this Act.

1 **SEC. 305. INCOME AVERAGING OF CORRECTED CIVIL SERV-**
2 **ICE ANNUITY BENEFIT PAYMENTS.**

3 (a) IN GENERAL.—Part I of subchapter Q of chapter
4 1 of the Internal Revenue Code of 1986 (relating to in-
5 come averaging) is amended by inserting after section
6 1301 the following new section:

7 **“SEC. 1302. AVERAGING OF CORRECTED CIVIL SERVICE AN-**
8 **NUITY BENEFIT PAYMENTS.**

9 “(a) IN GENERAL.—Unless the taxpayer elects not
10 to have this section apply for a taxable year, any corrected
11 civil service annuity benefit payment includable in gross
12 income for such taxable year (without regard to this sec-
13 tion) shall be so included ratably over the 5-taxable year
14 period beginning with such taxable year.

15 “(b) CORRECTED CIVIL SERVICE ANNUITY BENEFIT
16 PAYMENT.—For purposes of subsection (a), the term ‘cor-
17 rected civil service annuity benefit payment’ means with
18 respect to an individual the sum of—

19 “(1) the lump sum payment awarded by reason
20 of a court order, or decision of the Merit Systems
21 Protection Board, under which the individual is enti-
22 tled to receive an amount equal to all or any part
23 of an annuity not paid to the individual as a result
24 of an erroneous application or interpretation of sub-
25 chapter III of chapter 83 or chapter 84 of title 5,

1 United States Code, or any other provision of law
2 (or any rule or regulation relating thereto), plus

3 “(2) interest on the amount described in para-
4 graph (1) awarded under section 7704 of title 5,
5 United States Code.

6 “(c) ANNUITY.—For purposes of subsection (b), the
7 term ‘annuity’ has the meaning given to such term by sec-
8 tion 7704(c) of title 5, United States Code.

9 “(d) FINALITY OF ELECTION.—An election under
10 subsection (a) with respect to a corrected civil service an-
11 nuity benefit payment for a taxable year may not be
12 changed after the due date of the return for such taxable
13 year.”.

14 (b) CLERICAL AMENDMENT.—The table of sections
15 for part I of subchapter Q of chapter 1 of such Code is
16 amended by inserting after the item relating to section
17 1301 the following new item:

“Sec. 1302. Averaging of corrected civil service annuity benefit
payments.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to payments received after Decem-
20 ber 31, 2000.

TITLE IV—GENERAL PROVISIONS

SEC. 401. GENERAL EFFECTIVE DATE.

(a) IN GENERAL.—Except as otherwise provided in this Act, and subject to subsection (b), the amendments made by this Act shall apply with respect to plan years beginning on or after January 1, 2001.

(b) SPECIAL RULE FOR COLLECTIVELY BARGAINED PLANS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified on or before the date of the enactment of this Act, subsection (a) shall be applied to benefits pursuant to, and individuals covered by, any such agreement by substituting for “January 1, 2001” the date of the commencement of the first plan year beginning on or after the earlier of—

(1) the later of—

(A) January 1, 2002, or

(B) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof after the date of the enactment of this Act),

or

(2) January 1, 2003.

1 **SEC. 402. PLAN AMENDMENTS.**

2 If any amendment made by this Act requires an
3 amendment to any plan, such plan amendment shall not
4 be required to be made before the first plan year beginning
5 on or after January 1, 2003, if—

6 (1) during the period after such amendment
7 made by this Act takes effect and before such first
8 plan year, the plan is operated in accordance with
9 the requirements of such amendment made by this
10 Act, and

11 (2) such plan amendment applies retroactively
12 to the period after such amendment made by this
13 Act takes effect and such first plan year.

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